FISCAL NOTE

Bill #: SB0371 **Title:** Revise universal system benefits program

Primary Sponsor: Harrington, D **Status:** 1st Reading, As Amended

Sponsor signature	Date	David Ewer, Budget Director	Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
General Fund	$0	$0
State Special Revenue	($104,429)	($72,571)
Revenue:		
General Fund	$0	$0
State Special Revenue	($104,429)	($72,571)
Net Impact on General Fund Balance:	$0	$0

☐ Significant Local Gov. Impact
☐ Technical Concerns
☐ Included in the Executive Budget
☐ Significant Long-Term Impacts
☐ Dedicated Revenue Form Attached
☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. The current annual minimum requirement for utility companies is to provide 17 percent of total electrical sales revenues for low-income energy and weatherization activities. If a utility company's total credit for internal activities does not meet this requirement, the difference must be remitted to the Department of Revenue (DOR).
2. This bill further defines public utilities separately from cooperative utilities.
3. This bill has a set 40 percent annual requirement of Universal System Benefits (USB) for low-income activities by public utilities.
4. This bill has a minimum 30 percent annual requirement of USB for low-income activities by cooperative utilities.
5. USB charges are currently based on a percent of retail sales of electricity for the calendar year 1995. This bill changes the base year to the calendar year 2004.
6. Utilities file annual USB reports with DOR. The 2004 report is not due until March 2005; therefore, 2003 figures have been used in all calculations as follows:

Based on 2003 USB Obligation by Utility or Group of Utilities for Retail Sales of Electricity

Fiscal Note Request SB0371, 1st Reading, As Amended
(continued)

	Current USB @ 2.4%*	40% Required to Low Income	30% Minimum to Low Income	Actual Spent on Low Income	Increase (Decrease)
Montana Dakota Utilities (MDU)	$808,714	$323,486	$0	$432,846	**($109,360)**
NorthWestern Energy (NWE)	$8,522,939	$3,409,176	$0	$2,712,304	$696,872
Montana Electric Cooperatives (MECA)	$3,806,610		$1,141,983	$970,529	$171,454

Net Annual Increase in USB Funds Used for Low Income Activities **$758,965**

7. Using calendar year 2003 actual USB reported by the utility companies, it is estimated that low-income activities funded by USB will increase $758,965.
8. It is anticipated that NorthWestern Energy (NWE) will continue to meet all of their USB obligations internally and not remit to DOR. Only Montana Dakota Utilities (MDU) remits USB funds to the Department of Revenue
9. The portion of USB funds transferred from DOR to Department of Public Health and Human Services (DPHHS) is estimated using the average percentage transfer over the past four years or 66.36 percent calculated as follows:

In 2001 for Unspent 2000 USB (est)	$380,000	$300,000	78.95%	
in 2002 for unspent 2001 USB funds.	$141,095	$92,393	65.48%	
in 2003 for unspent 2002 USB funds.	$113,253	$63,253	55.85%	
in 2004 for unspent 2003 USB funds.	$212,236	$106,118	50.00%	
	$846,584	$561,764	**66.36%**	Average Percentage of USB Funds to DPHHS

10. MDU has historically spent more on USB than the new required percentage. Under this bill MDU's required USB to low-income activities is reduced by $109,578.
11. Using the average percentage transferred of 66.36 percent, it is estimated that the reduction in funding to DPHS will be $72,571 per year ($109,360 x .6636).
12. The bill has no effective date, so it is assumed it will go into effect on October 1, 2005; therefore, the reduction in funding for FY 2006 is for three fourths of a year or $54,428 ($72,571 x .75).
13. Section 10 of the bill requires the department to conduct a study of the needs of Montana's low-income energy customers. It is assumed the department will contract for this study in FY 2006. In 1989 the department contracted for a similar study at a cost of $47,000. That study took one year to complete. The cost of this new study is estimated at $50,000.
14. This study will be funded from USB funds. The bill does not generate new income so the fiscal impact will be zero. However, there will be an impact on the services provided. Weatherization services that in the past had been funded with this USB state special revenue funding will not be available.
15. The average cost to weatherize a low-income home is $3,000. Based on that average cost approximately 35 fewer homes will receive weatherization in SFY 2006 and 24 fewer homes will receive weatherization in SFY 2007.
16. Our assumption is that the Public Service Commission will establish USB rates for natural gas consistent with low-income needs. No fiscal impact is expected.

Fiscal Note Request SB0371, 1st Reading, As Amended
(continued)

FISCAL IMPACT:

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
Operating Expenses	$50,000	$0
Benefits	($154,429)	($72,571)
TOTAL	($104,429)	($72,751)
Funding of Expenditures:		
State Special Revenue (02)	($104,429)	($72,571)